Rebecca W Emerson
04/17/2000 10:06 AM

To: Gary R Delong/ChubbMail@ChubbMail, Thomas B Breiner/ChubbMail@ChubbMail
cc: Douglas W Baillie/ChubbMail@ChubbMail

Subject: First Quarter results

Gary and Tom,

Doug's hoping you will look this over and tell him what you think before he sends it to Tim. Please respond to Doug.

Becky

From: Doug Baillie

RESULTS IN CCI:

CID is at -8% on a plan on -1% largely due to a substantial portion of non-renewed substandard accounts occurring in the first quarter. This will slow down during the next three quarters as Indianapolis, Cleveland and Cincinnati have the vast majority of these accounts culled out of their book of business. Columbus has several million more to be non-renewed which will be completed by July. Louisville has a $1,500,000 more trucking business which will be corrected by October. This should complete the clean-up of CID's book in the region

The other item slowing CID growth is the fact that our competitor's rates have not yet risen to profitable ranges. This is improving at a rapid rate and it is anticipated that new business will pickup during the second half of the year.

We are aggressively getting off of auto driven accounts and hitting the rates very hard.

Casualty is at 14% growth on a plan of 18%. With David Corry, Regional CAS Mgr. returning from National Guard duty in Kuwait, hardening of the market and several large multi-million dollar opportunities we should be on target by year-end.

TIG is at 13% growth on a plan of 22%. We are quickly, however, gaining momentum from the investment in a regional TIG resource. Cincinnati just missed on a million dollar, Louisville just wrote a $400,000 account for second quarter and all other offices have significant opportunities and enthusiasm. In Cleveland, Britton Gallagher has been named producer for the Pittsburgh Tech Council which should provide significant growth.

PMM is well ahead of plan.

EXHIBIT
BAILLIE 15

MARKET HIGHLIGHTS:

The market continues to harden daily. National carriers such as CNA, Hartford, St. Paul, Firemen's Fund and Royal are retrenching. Kemper, Atlantic Mutual, Cincinnati, Zurich and St. Paul are still competing with us on good business. Regionals still remain aggressive, particularly in Indiana where regionals have

a stronger hold on our producer plant.

GROWTH DRIVERS:

Personal Lines is on plan with strong momentum going into the second quarter in all offices. There has been good agency appointment activity throughout the region. A recent appointment of a major realtor and two agents who specialize in floaters could accelerate growth even more.

International is ahead of plan. We are looking to bring-on a dedicated international resource to the region to drive our future numbers in this profitable area as we did in TIG.

ERP is at 2% growth on a plan of 12%. This is largely due to a substantial percentage of non-renewing in Cleveland and Cincinnati. The Cincinnati territory is behind on their new business goals after coming off an exceptional year in 1999. Our agents still see us as the market of choice, however, our hit ratio and competitiveness in the Executive Risk (Simsbury) lines have been disappointing. This may be a first quarter anomaly. Ken Stephens is currently analyzing after recent visits and John O'Mara will have a revised gameplan for the remainder of the year within the next two weeks.

DFI is at 5% growth on a goal of 14%. I will be visiting Warren on Tuesday with Dana Snider to review a $9,000,000 new business deal. There is also a $1,000,000 quote outstanding.

LOSS ACTIVITIES/TRENDS:

The region is currently losing $1,300,000. This clearly shows the need for more rate and the culling out of sub-standard business. Uninsured motorist and stop-gap claims were significant in the first quarter but will accelerate throughout the year. In addition to this there is a $6,000,000 personal lines loss in Cleveland, a automobile fatality in Indianapolis, a $2,000,000 executive risk loss in Cleveland and a potential $15,000,000 D&O loss in Cincinnati. The only good news is a possible $4,000,000 takedown in Cincinnati. 2000 does not look promising from a profit standpoint. However, with continued aggressive rate, increases, non-renewing of substandard accounts and hopefully the tapering off of uninsured motorists claims in Ohio, 2001 looks most promising.

KEY DEVELOPMENTS:

No significant changes in producer status. MVI agents in Indianapolis are more vocal about replacement business opportunities due to our underwriting stance. No real problems with the MVI agents in Ohio and Kentucky.

SERVICE RESULTS:

Service results are average to good in Cleveland and Cincinnati but we are only 1-2 months away from them being at the exceptional level. Indianapolis is presently cleaning up a backlog under the direction of their new CSD Manager. She is quite competent and the branch should reach very good service levels in 2-3 months.

LARGE/KEY ACCOUNT ISSUES:

No major issues on the large/key accounts other than Cincinnati getting off some large sub-standard accounts. Some rearranging of accounts in the region with Fifth Third ($750,000) going from BOR Cincinnati to Indianapolis and Anthem ($1,500,000) going from Indianapolis to Cleveland. Indianapolis lost National Steel ($500,000) via BOR to Chubb Tampa.

SUMMARY:

The Ohio Valley Regional is well staffed with strong people and good management systems. We will hit our rate initiatives, growth and service targets by yearend. With that and the non-renewing of substandard accounts we will be in an excellent position for future growth. Ohio's uninsured motorists and stop-gap positions are deep concerns. Stop-gap will continue to be managed by selectivity and rate. Hopefully the vast majority of uninsured motorists claims will be behind us in 2000. There will be some spillover in the year 2001. We are currently working with the Ohio Insurance Institute and ChubbPac to assist in electing favorable judges to the state supreme court.